



Director of
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UK-ARGENTINA: Focus on Mediation

//The attention of London and Buenos Aires is again riveted on Secretary of State Haig's resumed peace mission. At least part of the Argentine fleet may have left port.

Supporters of the two sides, meanwhile, continue to maneuver within the OAS and the UN while Beijing for the first time has taken a stand.

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//President Galtieri yesterday publicly reiterated Argentina's determination to protect its historic claim to the Falklands and condemned the "large-scale aggression by an extracontinental power." The Foreign Ministry, meanwhile, announced that despite press reports of a pro-UK policy in Washington, the state-owned broadcasting system would refrain from anti-US statements.

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//In London, the major press stories yesterday dealt with Thatcher's strong stand in Parliament, Secretary of State Haig's mission, and the extent to which the US is supporting the UK.

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Comment: //Galtieri's uncompromising public line is aimed at reassuring the Argentines--especially the military--that he will stand firm in the face of international pressure. The government's low-key reaction to the press reports, however, suggests that it sees some benefit in continuing the US mediation effort.

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//With the US mediation effort now centered in Buenos Aires, there is a pause in the debate in the UK on the crisis. Nonetheless, at the time for tough political and military decisions, Prime Minister Thatcher could come under fire from both the opposition and Tory backbenchers. Moreover, the voices charging that the US is not doing all that it can to help its longtime ally--that are now in a distinct minority--also could grow.

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Argentine Military Activity

//The Argentine news agency yesterday announced that units of the Argentine Navy sailed out of Puerto Belgrano heading south, but the report did not say how many ships left port or whether they might try to challenge the British exclusion zone. The announcement was followed by a junta communique declaring that Argentina had adopted

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measures of "self-defense" in the "zone of aggression" and was holding the British Government responsible for any consequences.//

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//Last night British television broadcast Argentine TV films apparently showing nine destroyers and frigates leaving Puerto Belgrano. Argentina's only air craft carrier may also have sailed.//

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Comment: //As the chance of confrontation with the UK grows, support for a motion in the OAS opposing London is likely to increase. If hostilities erupt, Argentina probably will succeed in having the treaty invoked.//

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//The Security Council will be reluctant to take further action unless there is an actual outbreak of hostilities. Zaire will draw out the process through individual consultations.//

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EC Sanctions Against Argentina

//EC members have initially limited their import ban on Argentine goods to 30 days. The restrictions, which went into effect yesterday, do not cover previously signed contracts or goods--including grain going to the USSR or Eastern Europe--entering the EC countries for transshipment to other areas.//

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Comment: //EC sanctions are likely to have little if any impact on Argentine exports unless the ban is extended. Moreover, the EC imports most goods from Argentina on long-term contracts that are not affected. The willingness of London's EC partners to adopt limited economic measures against Argentina reflects their desire to emphasize Community solidarity and to encourage the Thatcher government's flexibility on contentious EC internal issues.//

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Chinese Reaction

//China's first authoritative statement on the crisis--an editorial yesterday in *People's Daily*--describes the Falklands problem as a "vestige of decolonization." The editorial supports Argentina's claim of sovereignty but urges both sides to use restraint and solve the crisis through negotiation.//

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Comment: //Beijing has maintained a low-key position on the dispute. The Chinese, however, remain acutely aware of the possible comparison between Argentina's armed takeover and their own emphasis on reunification with Taiwan.//

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NICARAGUA: Key Exile Denounces the Regime

Self-exiled Sandinista revolutionary hero Eden Pastora's call for the overthrow of the Nicaraguan regime during a press conference yesterday in Costa Rica is a major propaganda setback for the Sandinistas but represents no immediate threat to the regime. []

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Pastora accused the Sandinista leadership of betraying the original democratic principles of the revolution and appealed to his sympathizers in Nicaragua and elsewhere to support his decision to fight for the restoration of the true revolution. He also called for the expulsion of all Cuban and other foreign military advisers in Nicaragua and condemned the treatment of the Miskito Indians. []

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Comment: Pastora's speech will have an unsettling political and psychological effect in Nicaragua. Although Pastora enjoys great popularity in Nicaragua, the extent of his support within the armed forces is difficult to gauge. []

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The Sandinistas have built an effective security service and have made major strides in building a professional Army loyal to the regime. Last fall they quashed a conspiracy by several Nicaraguan Government and military officials who--invoking Pastora's name--planned to install a less radical regime and reduce Cuban influence. []

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The regime recognizes Pastora's popularity and probably will try to minimize the impact of his announcement by portraying him as a US dupe who has been forced by Washington to join a US-backed counterrevolutionary scheme. The Sandinistas, fearing Pastora's potential as a catalyst for widespread popular opposition, are likely to lose little time in targeting him and his followers for assassination. They also will put pressure on authorities in San Jose to take direct action against Nicaraguan exile groups in Costa Rica. []

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EAST GERMANY: Sparring Over the Peace Movement

Young peace activists are urging more public demonstrations, while the regime tries harder to undermine the movement with discreet pressure on students and clergy.

Organizers of the small but growing Peace movement in East Berlin hope to turn the funeral tomorrow of prominent dissident Robert Havemann into a rally against the East-West arms race. Although activists scaled down their Easter demonstrations at the urging of Lutheran Church leaders, they claim that more militant students may now be taking the lead.

The official who oversees Church affairs privately told the US Ambassador that the party leadership has banned the peace emblem for fear it would encourage an uncontrolled movement.

The regime has combined its increased pressure on Church leaders to rein in the peace movement with offers of more financial support for Church welfare activities. The Church maintained its credibility by giving open support to peace emblem wearers in Easter sermons, but Church officials reportedly persuaded most pastors in East Berlin to cancel previously scheduled peace seminars.

Comment: The insecure East German leaders fear that a burgeoning peace movement might further politicize the country's youth and lead to greater demands. Although the security forces probably will be able to prevent the growth of overtly political groups, the regime will still have to find a way to harness the unprecedented enthusiasm of increasing numbers of young East Germans for disarmament. Recent revisions in the conscription law suggest that the regime may try to counter this trend by increasing premilitary training for young people.

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MEXICO: Presidential Election Campaign

//Ruling party presidential candidate Miguel de la Madrid is having difficulty stirring up public interest in his campaign leading up to national elections in July.//

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//The unenthusiastic response to de la Madrid's colorless performance is worrying party leaders. They are becoming concerned that he may lack the political skills to run the country.//

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//De la Madrid's campaign also continues to experience organizational problems, which may have contributed to the lack of larger crowds at several rallies last month. To remedy this, de la Madrid established a new office to supplement the party's formal electioneering machinery.//

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Comment: //Although the system assures victory for ruling party candidates, presidential nominees campaign hard to gain widespread popular recognition. With voter turnout regarded as an important measure of public support for Mexico's essentially one-party system, de la Madrid's shortcomings could undermine the party's claims to represent the interests of most Mexicans.//

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//During the remaining three months of the campaign, de la Madrid will be under closer scrutiny. The impression he creates among political leaders and the public will set the initial tone for his six-year term, which begins in December.//

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POLAND: Solidarity Radiobroadcast

The US Embassy in Warsaw reports that the producers of Radio Solidarity's clandestine broadcast on Monday apparently are media professionals who once worked for the union. The transmission was prerecorded in a private studio and replayed in a van that kept moving to prevent the authorities from locating it. Broadcast reception was limited to the Warsaw City area. Organizers are planning another broadcast for 30 April.

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Comment: Succeeding broadcasts will lift morale among Solidarity supporters, especially as news of the effort spreads throughout the country. The broadcasts probably will remain moderate in tone, however, and will not call for violent resistance. The regime may have difficulty finding the broadcasters, which would strengthen the arguments of those calling for a continuation of martial-law restrictions.

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SPECIAL ANALYSIS

ARGENTINA: Galtieri's Prospects

//President Galtieri's widespread domestic political support in the Falklands dispute masks underlying difficulties he will have holding together a political coalition, maintaining military cohesion, and strengthening international support. He will increasingly have to resort to nationalistic posturing to keep his backers together. This will in turn further constrict his room for diplomatic maneuver.//

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//Reliance on extreme nationalism will allow Galtieri to weather a stalemate--even if there are military casualties--for a brief period. After a month or so, however, the strains on the economy--and on his presidency--will be severe. He could not survive the loss of the Falklands.//

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//The politically ambitious Galtieri has taken enormous risks in his dealings with the military. For operational reasons, the decision to invade the islands was tightly held and many senior officers were not consulted beforehand.//

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//Middle-grade Army officers believe that Galtieri's excessive reliance on advice from the hardline Navy led him to misjudge the British and US response. Such perceptions are especially dangerous to Galtieri because the Army is the dominant service and Galtieri has had to work assiduously to line up support in it for a bid to remain Commander in Chief beyond his mandatory retirement in December.//

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//If Galtieri wins his gamble on the Falklands, he could dictate his role. In a case of less than clearcut gains, however, many important armed forces leaders could disassociate themselves from the President and dump him.//

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Civilian Support

//All Argentine political parties, even those with antimilitary leftist factions, have rallied to Galtieri. So far, the President appears to have made few commitments to these erstwhile opponents, who currently have little choice but to drape themselves with the flag. Any diplomatic setbacks will force Galtieri to keep appealing to the spirit of nationalism which the hardline press is raising to new heights.//

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//Over time, the continuing need for civilian backing will enhance the power of ultranationalistic Peronist factions and labor. This will reduce Galtieri's room for political maneuver and increase pressure to abandon economic reforms in favor of a return to a Peronist state-controlled economy.//

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//Galtieri still has breathing room on the economy. Suspension of trade with the UK and the EC will require several months to have any substantial impact on supplies or income.//

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//Despite some loan cancellations, Buenos Aires probably can manage foreign exchange requirements. Argentina's foreign creditors are likely to attempt to head off the possibility of a technical loan default.//

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//Over the medium term, externally imposed restrictions would take an increasing toll. Suspension of trade with the EC affects an estimated \$5 billion in annual two-way trade, some 27 percent of Argentina's total foreign commerce.//

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//If the British blockade Argentine ports and halt exports, the country's debt servicing capability would be imperiled. Argentina has over \$3 billion in reserves, however, and there is little likelihood that international banks--willing to accommodate Poland--would declare a default.//

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Outlook

//Galtieri cannot control the political climate that he has created. He will be in serious trouble if his efforts at diplomatic compromise bring into question either his resolve to confront the British or ultimate Argentine sovereignty over the islands. The President's military and civilian supporters would begin to back away from him.//

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//If the crisis extends beyond one or two months, economic costs will climb and Galtieri will have even greater need to show some diplomatic progress to justify the increasing expenditures. A protracted military campaign would push inflation beyond the current 130-percent range, further eroding the decline in real wages.//

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//Galtieri still has some chance for diplomatic maneuver if the British fleet can be stopped. If it is not, another opportunity may arise following any short but inconclusive hostilities.//

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//Only a clear Argentine victory will preserve Galtieri's position. At a minimum, he will have to present the appearance of something more than a status quo ante bellum. If not, the combined costs of his Falklands adventure will prompt a military coup.//

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